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STATE OF INDIANA  
INDIANA UTILITY REGULATORY COMMISSION

DEC 01 2006

PETITION OF INDIANA-AMERICAN )  
WATER COMPANY, INC. FOR )  
AUTHORITY TO INCREASE ITS RATES )  
AND CHARGES FOR WATER AND )  
SEWER SERVICE, FOR APPROVAL OF )  
NEW SCHEDULES OF RATES AND )  
CHARGES APPLICABLE THERETO, )  
AND FOR APPROVAL OF CERTAIN )  
TARIFF CHANGES TO IMPLEMENT A )  
TRACKING MECHANISM FOR )  
PURCHASED POWER COSTS )

INDIANA UTILITY  
REGULATORY COMMISSION  
43187

CAUSE NO. \_\_\_\_\_

**PETITION AND NOTICE OF INTENT TO**  
**FILE IN ACCORDANCE WITH**  
**MINIMUM STANDARD FILING REQUIREMENTS**

INDIANA-AMERICAN WATER COMPANY, INC. ("Petitioner") respectfully requests authority to increase its rates and charges for water and sewer service rendered by it, approval of new schedules of rates and charges applicable thereto, and approval of certain tariff changes to implement a tracking mechanism for purchased power costs. In support of this request, Petitioner shows the Commission:

1. Petitioner's Corporate and Regulated Status. Petitioner is an operating public utility, incorporated under the laws of the State of Indiana, with its principal office and place of business in the City of Greenwood, Indiana. Petitioner is subject to regulation by the Commission in the manner and to the extent provided by the laws of the State of Indiana, including Ind. Code § 8-1-2-1 et seq.

2. Petitioner's Operations. Petitioner provides water utility service in and adjacent to 129 communities and 21 counties throughout the State of Indiana. Petitioner also provides sewer utility service in Wabash and Delaware Counties. Petitioner renders such water and sewer utility service by means of utility plant, property, equipment and related facilities owned, leased, operated, managed and

controlled by it (collectively referred to as the "Utility Properties") which are used and useful for the convenience of the public in the production, treatment, transmission, distribution and sale of water for residential, commercial, industrial, public authority, and sale for resale purposes, for the provision of public and private fire service, and for the provision of sewer service. Petitioner provides utility service to approximately 285,000 customers.

3. Petitioner's Utility Properties. Petitioner has maintained, and continues to maintain, its Utility Properties in a good state of operating condition, meeting all state and federal regulatory requirements for potable water supply. As of June 30, 2006, the original cost of Petitioner's utility plant in service was approximately \$825,757,000 exclusive of acquisition adjustments. After deduction of accumulated depreciation of approximately \$218,435,000, the net original cost of Petitioner's utility plant in service was approximately \$607,322,000 at the same date. Petitioner has also made other investments and is continuing to make additional investments not reflected in such net original cost amount which should be considered for ratemaking purposes. The fair value of the Utility Properties is and will continue to be substantially in excess of the original cost thereof. Furthermore, in order to properly serve the public located in its service area and to discharge its duties as a public utility, Petitioner is continuing to make numerous additions, replacements and improvements to its utility system.

4. Petitioner's Existing Rates. Petitioner's existing rates and charges for water and sewer utility service were established pursuant to the Commission's Order dated November 18, 2004 in Cause No. 42520. Since its last rate case, Petitioner has also implemented certain public fire protection surcharges pursuant to Commission Orders in Cause No. 42921 dated November 30, 2005, Cause No. 42850 dated June 29, 2005, Cause No. 42784 dated March 30, 2005, and Cause No. 42761 dated January 19, 2005. Petitioner has also implemented directly billed charges in lieu of public fire

protection surcharges pursuant to the Order dated May 11, 2005 in Cause No. 42809. Petitioner also has implemented a distribution system improvement charge ("DSIC") pursuant to the Commission's Orders in Cause No. 42351 DSIC-2 and DSIC-3. More than fifteen (15) months have passed since the filing date of Petitioner's last request for a general increase in its basic rates and charges.

5. Petitioner's Operating Results Under Existing Rates. Since its basic rates and charges for utility service were last established, Petitioner has continued to make significant capital expenditures for additions, replacements and improvements to its Utility Properties. Also, the fair value of Petitioner's Utility Properties has materially increased. At the same time, expenses and other costs have increased. As a result, Petitioner's return upon its Utility Properties is, and will continue to be, below the level required to permit Petitioner to earn a fair return upon the fair value of its Utility Properties; to provide revenues which will enable it to continue to attract capital required for additions, replacements and improvements to its Utility Properties at a reasonable cost; to maintain and support Petitioner's credit; to assure confidence in Petitioner's financial soundness; and to earn a return on the value of its Utility Properties equal to that available on other investments of comparable risk. As a consequence, Petitioner's existing rates and charges now are and will continue to be, insufficient to provide revenues adequate to cover its necessary and reasonable operating expenses and provide the opportunity to earn the fair return to which Petitioner is lawfully entitled. The existing rates of Petitioner, therefore, are unjust, unreasonable, insufficient and confiscatory and should be increased.

6. Petitioner's Proposed Rates and Charges. Petitioner requests that new rates and charges be authorized which will enable Petitioner to realize a proper and adequate utility operating income, maintain and support its credit, adequately service its outstanding securities, assure confidence in its financial soundness, allow Petitioner to earn a return equal to that available on other investments of comparable risk, and raise on fair and reasonable terms such amounts of additional capital as will be

required to enable Petitioner to render safe, adequate and continuous water and sewer service to the public. Petitioner proposes to cancel its existing rate schedules governing the utility service rendered by it and to file with the Commission in lieu thereof new schedules of rates and charges. The proposed rate schedules will be set forth in the exhibits which Petitioner will file and offer as evidence in this proceeding.

7. Tracking Proposal. Petitioner intends to request changes in its tariff so as to permit periodic adjustments to the rates to be approved in this cause based upon fluctuations in certain costs that tend to be material, largely outside Petitioner's control, and somewhat volatile. Petitioner is proposing a tracking mechanism for purchased power costs.

8. Notice Of Intent To File In Accordance With Minimum Standard Filing Requirements. Petitioner hereby files its notice of intent to file in accordance with the minimum standard filing requirements ("MSFRs") set out in the Commission's rules on MSFRs, 170 IAC 1-5-1 et seq.

9. Test Year and Rate Base Procedures. Petitioner proposes and requests that the test year to be used in this proceeding be the 12 months ended June, 2006, and that rate base be valued as provided in the MSFRs.

10. Prehearing Conference and Preliminary Hearing Requested. Pursuant to 170 IAC 1-1.1-15(b) of the Commission's Rules of Practice and Procedure, Petitioner requests that a date be promptly fixed for a prehearing conference and preliminary hearing for the purpose of fixing a procedural schedule in this proceeding and considering other procedural matters.

11. Customer Notification. Petitioner will provide its customers with a notice summarizing the nature and extent of the proposed changes as required by the Commission's rules.

12. Applicable Statutory Provisions. Petitioner considers that the provisions of Ind. Code §§ 8-1-2-4, 6, 7, 9, 19, 21, 38, 42, 61, 68 and 71, among others, are applicable to the subject matter of this petition.

13. Attorneys for Petitioner. Daniel W. McGill (Atty No. 9489-9), Nicholas K. Kile (Atty No. 15203-53) and P. Jason Stephenson (Atty No. 21839-49) of Barnes & Thornburg LLP, 11 South Meridian Street, Indianapolis, Indiana 46204, are counsel for Petitioner and are duly authorized to accept service of papers in this Cause on Petitioner's behalf.

WHEREFORE, Petitioner respectfully prays that the Commission promptly conduct a prehearing conference and preliminary hearing in this proceeding; make such investigation and hold such hearings as are necessary or advisable; and thereafter, issue an Order in this Cause:

- (a) Finding that Petitioner's existing rates for water and sewer service are unjust, unreasonable, insufficient, confiscatory and inadequate to provide a fair return on the fair value of Petitioner's Utility Properties used and useful for the convenience of the public in rendering water and sewer utility service;
- (b) Determining, and by order fixing, increased water and sewer service rates and charges to be imposed, observed and followed in the future by Petitioner in lieu of those found to be unjust, unreasonable, insufficient and confiscatory;
- (c) Authorizing and approving the filing by Petitioner of new schedules of increased rates and charges applicable to the water and sewer utility service rendered by Petitioner so as to provide just, reasonable, sufficient and nonconfiscatory rates;
- (d) Approving tariff changes to include tracking mechanisms to be proposed;

(e) Granting such other and further relief as may be appropriate and proper.

DATED this 1<sup>st</sup> day of December, 2006.

INDIANA-AMERICAN WATER COMPANY, INC.


By: 

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Attorneys for Petitioner  
Indiana-American Water Company, Inc.

CERTIFICATE OF SERVICE

The undersigned hereby certifies that two copies of the foregoing Petition was served by delivery upon the Office of the Utility Consumer Counselor, 100 North Senate Avenue, Room N501, Indiana Government Center North, Indianapolis, Indiana 46204, this 1<sup>st</sup> day of December 2006.

  
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Nicholas K. Kile